

US markets close at fresh record highs...again

Global equities extended their recent gains with US and Japanese equities outperforming, the former setting fresh record highs for a sixth consecutive week. Strong performance in US markets came on the back of the US Senate passing the 2018 budget resolution on Thursday, likely paving the way for a much anticipated tax reform bill later this year. The ongoing Q3 earnings season has added further support to the market. Japanese equities continued their impressive recent rally heading into this weekend's general elections. The market is up 10% over the past 6 weeks, strongly outperforming global equities (+4%). Emerging equities on the other hand retreated as the US dollar rallied and Treasury yields rose, an unhelpful combination for EM. In the GCC, Saudi equities managed to halt their recent slide by rebounding 1.1% during the week helped by decent Q3 results. In the commodities space oil prices held steady, but precious metals fell around 2% on average. However, industrial metals such as copper rallied on the back of strong Chinese growth numbers, Q3 GDP coming in at 6.8% y-o-y.

US Q3 GDP data and ECB meeting the main focus this week

The three major tailwinds behind the rally in global risk assets over the past 12 months have been 1) strong global macro data, 2) robust corporate earnings growth and 3) accommodative central banks. All three of the elements will come into focus again this week. On Thursday the ECB monetary policy committee meets, the expectation is that some form of asset purchase tapering will be announced to commence in January. Expectations range from a €20bn/month to €40bn/month cut, from the current €60bn/month. On Friday the first reading of US Q3 GDP will be released, expectations are for growth to have weakened somewhat from 3.1% in Q2 to 2.5%, largely as a result of the impact of hurricanes Harvey and Irma. Finally, Q3 earnings season has gotten under way in the US and internationally. Earnings growth is likely to be softer than Q1 and Q2, because favourable base effects (earnings troughed in early 2016), but should nevertheless register decent growth. US corporates will have been boosted by the weaker US dollar whilst Eurozone corporates will be hampered by the strength of the euro. Overall, this week ought to give investors an indication if the global rally in risk assets can continue unabated for a little while longer.

Wietse Nijenhuis

Equity Strategist
Tel: +971 (0)2 205 4923
wietse.nijenhuis@adcb.com

Prerana Seth

Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Luciano Jannelli, Ph.D., CFA

Head Investment Strategy
Tel: +971 (0)2 696 2340
luciano.jannelli@adcb.com

Visit [Investment Strategy Webpage](#) to read our other reports

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,575.2	0.9	15.0
Dow Jones	23,328.6	2.0	18.0
Nasdaq	6,629.1	0.4	23.1
DAX	12,991.3	-0.0	13.2
Nikkei 225	21,457.6	1.4	12.3
FTSE 100	7,523.2	-0.2	5.3
Sensex	32,390.0	-0.1	21.6
Hang Seng	28487.2	0.0	29.5

Regional Markets (Sunday to Thursday)

ADX	4505.3	-0.3	-0.9
DFM	3672.8	0.4	4.0
Tadaw ul	7011.3	1.1	-2.8
DSM	8172.2	-2.0	-21.7
MSM30	5066.8	-1.4	-12.4
BHSE	1278.9	0.4	4.8
KWSE	6633.1	0.2	15.4

MSCI

MSCI World	2,035.6	0.4	16.2
MSCI EM	1,119.7	-0.6	29.9

Please refer to the disclaimer at the end of this publication

Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	57.8	1.0	1.6
Nymex WTI USD/bbl	51.8	0.0	-3.5
Gold USD/t oz	1280.5	-1.8	11.6
Silver USD/t oz	17.0	-2.2	6.9
Platinum USD/t oz	923.8	-2.3	2.3
Copper USD/MT	7008.5	2.2	27.4
Alluminium	2125.25	0.7	25.5

Currencies

EUR USD	1.1784	-0.3	12.0
GBP USD	1.3190	-0.7	6.9
USD JPY	113.52	1.5	-3.0
CHF USD	0.9842	1.0	3.5

Rates

USD Libor 3m	1.3648	0.8	36.8
USD Libor 12m	1.8312	1.0	8.6
UAE Eibor 3m	1.5705	-0.2	6.4
UAE Eibor 12m	2.2035	0.7	5.2
US 3m Bills	1.1030	3.3	121.8
US 10yr Treasury	2.3845	4.9	-2.4

Summary market outlook

Bonds									
Global Yields	US Treasury yields edged higher on concerns of increased fiscal borrowing and higher supply pressure after the Senate passed the 2018 fiscal resolution. However, we still expect Treasury yields to remain range bound unless there is a sharp jump in inflation/inflation expectations.								
Stress and Risk Indicators	The VIX rose slightly, yet remained near its record lows helped by the equity market rally. Volatility is unlikely to stay this low given the backdrop of ongoing geopolitical risks.								
Equity Markets									
Local Equity Markets	GCC equity markets remained mixed amidst Q3 reporting season. Overall, we remain neutral on GCC equities given the potential for dollar strength and range-bound oil prices. We maintain our tactical call on Saudi equities on the back of their inclusion onto the MSCI watch list for potential promotion into the MSCI Emerging Markets index.								
Global Equity Markets	Global equities ended the week in the positive territory with US and Japanese equities outperforming. The S&P 500 and Dow Jones indices reached new record highs as the Senate passed the 2018 budget resolution, paving way for tax reforms. In contrast, emerging markets underperformed on account of broad dollar strength and higher US yields. Overall, we continue to believe that strong economic fundamentals along with robust corporate earnings growth will support global equities.								
Commodities									
Precious Metals	Gold prices fell during the week, weighed down by the dollar and higher US yields. We stick to our overweight recommendation on gold as a risk hedge against ongoing political and (potential) inflationary risks.								
Energy	Brent crude rose slightly on the back of heightened tensions in the Middle east. We expect oil to continue trading in the broad range seen over the past 12 months. A break out at the upper end will be challenging given US production will likely act as a ceiling on oil prices.								
Industrial Metals	Industrial metals performed well helped by the strong China data. Longer-term we do not recommend industrial metals exposure due to concerns around Chinese growth prospects post the Party Congress.								
Currencies									
EURUSD	The euro fell versus the dollar amidst the lingering Catalonia independence concerns and the rise in dollar demand. We expect the US dollar will continue to regain some ground.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.1785</td> <td>R1</td> <td>1.1775</td> <td>S1</td> <td>1.1757</td> <td>S2</td> <td>1.1749</td> </tr> </table>	R2	1.1785	R1	1.1775	S1	1.1757	S2	1.1749
R2	1.1785	R1	1.1775	S1	1.1757	S2	1.1749		
GBPUSD	The pound weakened against the dollar on account of increased Brexit-related uncertainty. We expect sterling to remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.3202</td> <td>R1</td> <td>1.3193</td> <td>S1</td> <td>1.3175</td> <td>S2</td> <td>1.3165</td> </tr> </table>	R2	1.3202	R1	1.3193	S1	1.3175	S2	1.3165
R2	1.3202	R1	1.3193	S1	1.3175	S2	1.3165		
USDJPY	The yen depreciated versus the dollar in anticipation of Prime Minister Abe winning the elections, allowing him to maintain his reflationary policies. We believe there will remain a bias for yen weakness given divergent monetary policies between Japan and the US.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>114.08</td> <td>R1</td> <td>113.98</td> <td>S1</td> <td>113.71</td> <td>S2</td> <td>113.55</td> </tr> </table>	R2	114.08	R1	113.98	S1	113.71	S2	113.55
R2	114.08	R1	113.98	S1	113.71	S2	113.55		

Note: R2, R1, S2 and S1 refer to Bloomberg calculated weekly technical resistance and support levels

Forthcoming important economic data

United States

Indicator	Period	Expected	Prior	Comments
10/24/2017	Markit US Manufacturing PMI	Oct P	53.5	53.1
10/25/2017	New Home Sales MoM	Sep	-1.1%	-3.4%
10/26/2017	Wholesale Inventories MoM	Sep P	0.4%	0.9%
10/27/2017	GDP Annualized QoQ	3Q A	2.5%	3.1%
10/27/2017	Univ. of Mich. Sentiment	Oct F	100.8	101.1

Focus will be on the 3Q GDP print.

Japan

Indicator	Period	Expected	Prior	Comments
10/24/2017	Nikkei Japan PMI Mfg	Oct P	-	52.9
10/27/2017	Natl CPI YoY	Sep	0.7%	0.7%
10/27/2017	Natl CPI Ex Fresh Food YoY	Sep	0.7%	0.7%

PMI data and inflation release will be important.

Eurozone

Indicator	Period	Expected	Prior	Comments
10/23/2017	Consumer Confidence	Oct A	-1.1	-1.2
10/24/2017	Markit Manufacturing PMI	Oct P	57.8	58.1
10/25/2017	IFO Expectations	Oct	107.3	107.4
10/26/2017	ECB MPC Meeting	26 Oct	No Change	

All eyes will be on the ECB meeting where the central bank could announce tapering details.

United Kingdom

Indicator	Period	Expected	Prior	Comments
10/25/2017	GDP YoY	3Q A	1.5%	1.5%
10/28/2017	Nationwide House Px NSA YoY	Oct	2.2%	2.0%

GDP print will be important.

China and India

Indicator	Period	Expected	Prior	Comments
-----------	--------	----------	-------	----------

No important data releases scheduled for the week.

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

Disclaimer

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige Abu Dhabi Commercial Bank PJSC ("ADCB") to enter into any transaction.

The content of this publication should not be considered legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication.

Information contained herein is based on various sources, including but not limited to public information, annual reports and statistical data that ADCB considers accurate and reliable. However, ADCB makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for qualified customers of ADCB.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. ADCB expressly disclaims any obligation to update or revise any forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of the foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB. They are subject to investment risks, including possible loss of principal amount invested. Please refer to ADCB's Terms and Conditions for Investment Services.

This publication is being furnished to you solely for your information and neither it nor any part of it may be used, forwarded, disclosed, distributed or delivered to anyone else. You may not copy, reproduce, display, modify or create derivative works from any data or information contained in this publication.